

## Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

LAB-04 SIL-01 OMB-01 AGR-10 TAR-01 STR-04 L-02 /068 W

----- 067396

R 071120Z MAR 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8041

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 1726

E.O. 11652: N/A

TAGS: ETRD, EFIN, BR

SUBJECT: IMPORT RESTRICTIONS

REF: BRASILIA 1614

1. SUMMARY: PRELIMINARY SOUNDINGS WITH BANKERS AND IMPORTERS ON LATEST MEASURES TO RESTRICT IMPORTS (REPORTED REFTEL) REVEAL THAT (A) THE OVERALL IMPACT IS NOT EXPECTED TO BE VERY SIGNIFICANT, AND (B) SMALL IMPORTERS ARE LIKELY TO FEEL THE GREATEST IMPACT. END SUMMARY.

2. THIS REPORT IS BASED ON INFORMATION PROVIDED BY CONGENS RIO AND SAO PAULO.

3. THE INITIAL REACTION AMONG SAO PAULO IMPORTERS IS THAT LATEST MEASURE WILL NOT HAVE MUCH OF AN IMPACT ON THE VOLUME OF IMPORTS. THESE MEASURES ARE LIKELY TO HURT THE SMALL IMPORTERS WHO HAVE LESS ACCESS TO COMMERCIAL BANK CREDIT THAN THE LARGER IMPORTERS. ACCORDING TO SAO PAULO BANKERS CONTACTED, THESE MEASURES WILL FURTHER AGGRAVATE THE ALREADY TIGHT BANK CREDIT SITUATION SINCE

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IMPORTERS WILL TRY TO OBTAIN LARGER LINES OF CREDIT

WITH BANKS BY PUTTING UP RECEIVABLES AS COLLATERAL.

4. ACCORDING TO CONGEN RIO, THE ITEMS MOST AFFECTED BY THE NEW MEASURES AND WHICH THE GOB IS INTERESTED IN CUTTING ARE THE FOLLOWING: (A) INTERMEDIATE FERROUS AND NON-FERROUS METAL PRODUCTS; (B) MECHANICAL AND ELECTRIC HANDTOOLS AND TOOL ACCESSORIES; (C) HELIOGRAPHIC AND THERMOGRAPHIC COPYING MACHINES; (D) SURGICAL INSTRUMENTS; (E) ELECTRIC AND ELECTRONIC TESTING APPARATUS. THE INCLUSION OF INTERMEDIARY FERROUS AND NON-FERROUS METAL PRODUCTS DENOTES GOB'S INTENTION TO ENCOURAGE IMPORTERS TO WORK OFF EXISTING STOCKS.

5. CONGEN RIO ALSO REPORTS THAT, ACCORDING TO IMPORTERS CONTACTED, PREVIOUS IMPORT RESTRICTIVE MEASURES TAKEN BY THE GOB ARE MORE IMPORTANT THAN RESOLUTION 319 ISSUED LAST WEEK. ONE MAJOR IMPORTER OF HAND TOOLS AND ACCESSORIES FEELS THAT THERE MAY BE SHIFT TO LESS EXPENSIVE, LOWER QUALITY TOOLS WHICH WOULD HURT U.S. SUPPLIERS OF HIGHER QUALITY ITEMS. ADDITIONALLY, SMALL AND MEDIUM SIZED IMPORTERS WILL BE SUBSTANTIALLY MORE AFFECTED THAN LARGE ONES AS THEY ARE MORE DEPENDENT ON SHORT-TERMS SUPPLIERS' CREDIT. THE PRESENT TIGHT CREDIT SITUATION MAKES IT EXTREMELY DIFFICULT FOR THESE IMPORTERS TO RAISE NECESSARY RESOURCES TO MAINTAIN PAST LEVELS OF IMPORTS. IT APPEARS THAT RESOLUTION 319 IS INTENDED TO REINFORCE PREVIOUS MEASURES AND, AS SUCH, WILL HAVE SOME IMPACT ON AFFECTED IMPORTS. CRIMMINS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, IMPORT CONTROLS, BANKERS, PUBLIC ATTITUDES  
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**Copy:** SINGLE  
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**Decaption Date:** 01 JAN 1960  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Executive Order:** N/A  
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**Reference:** 75 BRASILIA 1614  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CollinP0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 29 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <29 MAY 2003 by RuthemTJ>; APPROVED <26 FEB 2004 by CollinP0>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** IMPORT RESTRICTIONS  
**TAGS:** ETRD, EFIN, BR  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006